



Senate

General Assembly

January Session, 2005

File No. 343

Senate Bill No. 290

Senate, April 14, 2005

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING INVESTMENTS IN EQUITY SECURITIES BY MUNICIPAL RESERVE FUNDS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 7-403a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2005*):

4 (c) The budget-making authority may, from time to time, direct the
5 treasurer to invest such portion of such reserve fund as in its opinion is
6 advisable, provided: (1) Not more than [forty] seventy per cent of the
7 total amount invested shall be invested in equity securities and (2) not
8 less than [fifty] thirty per cent of the total amount invested shall be
9 invested in United States government obligations, United States
10 agency obligations, United States postal service obligations, certificates
11 of deposit, commercial paper, savings accounts and bank acceptances.

12 Sec. 2. Section 7-362 of the general statutes is repealed and the

13 following is substituted in lieu thereof (*Effective October 1, 2005*):

14 The budget-making authority may, from time to time, direct the
15 treasurer to invest, such portion of such fund as in its opinion is
16 advisable, provided: (1) Not more than [thirty-one] seventy per cent of
17 the total amount invested shall be invested in equity securities; and (2)
18 not less than [fifty] thirty per cent of the total amount invested shall be
19 invested in the stock or bonds or interest-bearing notes or obligations
20 of the United States, or those for which the faith of the United States is
21 pledged to provide for the payment of the principal and interest,
22 including the bonds of the District of Columbia.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2005</i>	7-403a(c)
Sec. 2	<i>October 1, 2005</i>	7-362

PD *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 06 \$	FY 07 \$
All Municipalities	See Below	See Below	See Below

Explanation

The bill changes the ratio of investments municipalities are allowed to invest between equities and other types of investments. It is assumed that municipalities will be prudent in their investment decisions and will only modify existing allocations after considering increases in returns along with added risks.

OLR Bill Analysis

SB 290

***AN ACT CONCERNING INVESTMENTS IN EQUITY SECURITIES
BY MUNICIPAL RESERVE FUNDS*****SUMMARY:**

This bill increases, from 31% to 70%, the maximum proportion of a municipal capital reserve fund that can be held in stocks and other equity securities. It reduces, from 50% to 30%, the proportion of such funds that must be invested in U.S. government obligations, U.S. agency obligations, U.S. postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances.

Similarly, the bill increases, from 40% to 70%, the proportion of municipal loss and retirement reserve funds that can be invested in equity securities. It reduces, from 50% to 30%, the proportion of these funds that must be invested in U.S. obligations or obligations backed by the U.S. government.

EFFECTIVE DATE: October 1, 2005

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Report

Yea 15 Nay 1